

MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES

NOTICE OF PROPOSED POLICY

Public Act 280 of 1939, as amended, and consultation guidelines for Medicaid policy provide an opportunity to review proposed changes in Medicaid policies and procedures.

Please review the policy summary and the attached materials that describe the specific changes being proposed. Let us know why you support the change or oppose the change.

Submit your comments to the analyst by the due date specified. Your comments must be received by the due date to be considered for the final policy bulletin.

Thank you for participating in the consultation process.



Director, Program Policy Division  
Bureau of Medicaid Policy and Health System Innovation

<b>Project Number:</b> 1557-DSH	<b>Comments Due:</b> December 23, 2015	<b>Proposed Effective Date:</b> February 1, 2016
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**Policy Subject:** Disproportionate Share Hospital (DSH) Balance

**Affected Programs:** Medicaid

**Distribution:** Hospitals

**Policy Summary:** This policy establishes a process to allocate unspent DSH allotment to hospitals.

**Purpose:** To allocate unspent DSH allotment.

# Proposed Policy Draft

Michigan Department of Health and Human Services  
Medical Services Administration

**Distribution:** Hospitals

**Issued:** January 1, 2016 (Proposed)

**Subject:** Disproportionate Share Hospital (DSH) Balance

**Effective:** February 1, 2016 (Proposed)

**Programs Affected:** Medicaid

**NOTE: Implementation of this policy is contingent upon State Plan Amendment approval from the Centers for Medicare & Medicaid Services (CMS).**

Beginning with Fiscal Year (FY) 2015, the Michigan Department of Health and Human Services (MDHHS) will establish a process to allocate unspent DSH allotment to qualifying hospitals with remaining DSH limit capacity after the applicable year's final DSH audit is complete. MDHHS will allocate unspent DSH allotment through a new pool using the distribution methodology established in Step 3: Final DSH Audit-Related DSH Redistribution of the State's multi-step DSH process outlined in the MDHHS Medicaid Provider Manual. Specifically, the funds from this new pool will first be allocated to State Government-owned or –operated hospitals up to applicable Federal DSH limits. Any remaining unspent DSH allotment will be allocated proportionally to all other hospitals based on the following formula:

- a.  $(\text{Hospital's Remaining Audited DSH Ceiling Capacity} + \text{Indigent Care Agreement (ICA) DSH Payment Amount} + \text{University DSH Payment Amount} + \text{Government Provider (GP) DSH Payment Amount}) / (\sum \text{of all Hospitals' Audited Remaining DSH Ceiling Capacity} + \text{ICA DSH Payment Amount} + \text{University DSH Payment Amount} + \text{GP DSH Payment Amount}) = (\text{Hospital Pool Factor})$
- b.  $(\text{Hospital Pool Factor}) \times (\text{Pool Amount}) = \text{Pool Payment}$

No hospital will receive a DSH payment from this pool that exceeds its audited DSH limit.